

## Message Text

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ACTION IO-13

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NSAE-00 NSC-05 EB-08 NRC-05 OES-06 DODE-00 FEA-01  
PM-04 /072 W  
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FM USMISSION IAEA VIENNA  
TO SECSTATE WASHDC 8827  
INFO USERDA HQ WASHDC  
USERDA HQ GERMANTOWN

C O N F I D E N T I A L IAEA VIENNA 2166

DEPT PASS IO/SCT NRC AND ACDA

ERDA FOR HELFRICH, ACDA FOR HOUCK, NRC FOR R. PAGE

EO 11652: GDS  
TAGS: IAEA, PARM, TECH  
SUBJ: STATE SYSTEMS OF ACCOUNTING AND CONTROL (SSAC)

1. SUMMARY. MISSION RECOMMENDS US DISCUSS WITH OTHER  
INTERESTED STATES MEASURES TO FACILITATE IAEA SAFEGURDS  
IMPLEMENTATION BY ENCOURAGING GREATER STANDARDIZATION IN  
STATE SYSTEMS OF ACCOUNTING AND CONTROL OF NUCLEAR MATERIAL.  
END SUMMARY.

2. AS DEPT. IS AWARE MISOFFS AND REPS OF WASHINGTON  
AGENCIES CONCERNED HAVE HAD SERIES OF MEETINGS IN RECENT  
PAST WITH STAFF OF AGENCY'S DEPARTMENT OF SAFEGUARDS  
WITH THE PURPOSE OF IDENTIFYING PROBLEM AREAS  
IN SAFEGUARDS IMPLEMENTATION ACTIVITIES AND ASSISTANCE  
USG MIGHT BE ABLE TO PROVIDE AGENCY TO OVERCOME  
THEM. DURING THESE TALKS, SECRETARIAT STAFF IDENTIFIED  
A LONG-STANDING PROBLEM WHICH IS BASIC TO THE IMPLEMENTA-  
TION OF AN EFFECTIVE SYSTEM OF SAFEGUARDS: THE ABSENCE  
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OF STANDARDS IN THE STRUCTURE AND QUALITY OF  
THE STATE SYSTEMS OF ACCOUNTING AND CONTROL (SSAC) OF  
NUCLEAR MATERIAL IN WHOSE STATES IN WHICH AGENCY SAFE-  
GUARDS ARE BEING CARRIED OUT.

3. THIS PROBLEM IS OF FUNDAMENTAL IMPORTANCE FOR, AS  
DDRESSEES ARE AWARE, EFFICIENCY OF AGENCY SAFEGUARDS

IMPLEMENTATION TO A LARGE EXTENT REQUIRES EFFECTIVE FUNCTIONING OF THE STATE'S OWN SYSTEM. WITH SIZEABLE US FINANCIAL ASSISTANCE, AGENCY HAS HELD IN 1976 (AND WILL REPEAT IN 1977) TRAINING COURSES AIMED AT DEVELOPING AND IMPROVING SSACS. HOWEVER, THIS IS OBVIOUSLY A LONG TERM EFFORT. UNLIKE OTHER PROBLEM AREAS IN SAFEGUARDS (E.G., EQUIPMENT AND TRAINED MANPOWER), THIS AREA IS NOT ONE WHICH CAN BE HELPED SOLELY THROUGH PROVISION OF ADDITIONAL RESOURCES TO AGENCY.

4. ARTICLE XII A.3 OF THE IAEA STATUTE ACCORDS THE AGENCY THE RIGHT, INTER ALIA "TO REQUIRE THE MAINTENANCE AND PRODUCTION OF OPERATING RECORDS TO ASSIST IN ENSURING ACCOUNTABILITY FOR SOURCE AND SPECIAL FISSIONABLE MATERIALS..." INFCIRC/153 AND, TO A LESSER EXTENT, INFCIRC 66/REV. 2 SET OUT IN GENERAL TERMS WHAT SAFEGUARDS AGREEMENTS SHOULD PROVIDE WITH RESPECT TO THE INTERACTION OF THE SSAC WITH THE AGENCY'S SAFEGUARDS SYSTEM. HOWEVER THE DETAILED ELEMENTS OF A SSAC WHICH WOULD ENABLE A STATE EFFECTIVELY TO PERFORM ITS SHARE OF OBLIGATIONS IN SAFEGUARDS IMPLEMENTATION HAVE NOT YET BEEN SPELLED OUT IN THE FORM OF A BOARD-APPROVED DOCUMENT. MISSION BELIEVES THAT A BASIS ALREADY EXISTS FOR ACCOMPLISHING PRECISELY THAT.

5. MUCH HAS ALREADY BEEN ACCOMPLISHED UNDER AGENCY AUSPICES IN DEFINING ESSENTIAL ELEMENTS OF SSAC. RESULTS OF THESE EFFORTS ARE CONTAINED IN THE REPORTS OF TWO ADVISORY GROUPS, ATTENDED BY REPS OF 12 MEMBER  
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STATES (INCLUDING US) WHICH MET AT TOKYO IN 1973 AND AT BRNO, CSSR IN 1975 TO CONSIDER SSAC (AGENCY DOCUMENTS PL-581 AND AG-26). THE THRUST OF THESE DISCUSSIONS DIFFERED SOMEWHAT: ONE REPORT ADDRESSED ELEMENTS OF AN SSAC NECESSARY FOR IMPLEMENTATION OF A SAFEGUARDS AGREEMENT WITH THE IAEA, AND THE INTERRELATIONSHIP OF THE SSAC WITH THE AGENCY'S SAFEGUARDS SYSTEM, THE OTHER REPORT (BRNO) EMPHASIZED ELEMENTS OF A SSAC STRUCTURE INTENDED TO SATISFY THE BROADER RANGE OF A STATE'S OWN OBJECTIVES WITHOUT THE EMPHASIS ON THE SAFEGUARDS AGREEMENT WITH THE AGENCY.. NONETHELESS, THERE IS A CONSIDERABLE DEGREE OF OVERLAP IN BOTH SETS OF RECOMMENDATIONS.

6. MISSION RECOMMENDS THAT DEPT. CONSIDER SOUNDING OUT OTHER IMPORTANT MEMBER STATES AS TO THEIR VIEWS ON AN APPROACH TO THIS PROBLEM ANALOGOUS TO THAT TAKEN TWO YEARS AGO WITH RESPECT TO STANDARDS OF PHYSICAL PROTECTION MEASURES (INFCIRC 225). NEXT MEETING OF

LONDON SUPPLIERS GROUP WOULD OFFER EXCELLENT OPPORTUNITY FOR SUCH INFORMAL DISCUSSION (WE DO NOT RPT NOT BELIEVE IT WOULD BE HELPFUL TO HAVE THIS INITIATIVE ASSOCIATED WITH "LONDON CLUB"); ALTERNATIVELY, SOUNDINGS COULD ALSO BE TAKEN HERE, THOUGH NECESSRILY AD REFERENDUM. IF THERE IS SUFFICIENT SUPPORT FOR THE IDEA, D. G. MIGHT BE APPROACHED AND INVITED TO CONSIDER MEANS BY WHICH EXISTING RECOMMENDATIONS ON THIS IMPORTANT SUBJECT MIGHT BE RAISED FROM PRESENT RATHER OBSCURE STATUS TO A MORE AUTHORITATIVE AND VISIBLE ONE; I.E., TO THE FORM OF AN INFCIRC. ONE APPROACH MIGHT BE TO PRODUCE AN AMALGAM OF THE TWO SETS OF RECOMMENDATIONS DG COULD THEN INVITE ATTENTION OF BOARD OF GOVERNORS TO PUBLICATION OF THESE NEW DOCUMENTS. JUDGING FROM UNANIMOUS APPROVAL OF PHYSICAL PROTECTION MEASURES IN INFCIRC 225 BY 19TH GENERAL CONFERENCE, WE WOULD ANTICIPATE NO MAJOR PROBLEM IN SECURING BOARD APPROVAL OF DG'S ACTION.

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7. WITH SSAC RECOMMENDATIONS EMBODIED IN BOARD-SANCTIONED DOCUMENT, WAY WOULD BE OPEN FOR INTERESTED MEMBERS TO SUPPORT SECRETARIAT'S EFFORTS TO UPGRADE AND STANDARDIZE SSACS IN SEVERAL POSSIBLE WAYS. SUPPLIER STATES INDIVIDUALLY MIGHT CONSIDER MAKING ACCEPTANCES OF THESE STANDARDS A CONDITION OF SUPPLY AND, AS HAS BEEN CASE WITH RECOMMENDATIONS ON PHYSICAL PROTECTION, WRITE THEM INTO FUTURE SAFEGUARDS AGREEMENTS. THIS WOULD ALSO BE SUPPORTIVE OF AGENCY EFFORTS TO UPGRADE SAFEGUARD TRANSFER AGREEMENTS. COLLECTIVELY, SUPPLIER STATES MIGHT ALSO CONSIDER ADOPTING THESE STANDARDS IN FORM OF A "CLARIFICATION" OF PARA 11 OF EXISTING LONDON GUIDELINES (RELATING TO SUPPORT FOR EFFECTIVE IAEA SAFEGUARDS). FURTHER, IN CONTEXT OF IAEA BOARD DISCUSSIONS OF ANNUAL SPECIAL SAFEGUARDS IMPLEMENTATION REPORT (SSIR), CONSIDERATION COULD BE GIVEN TO ADDRESSING QUERY TO DG RE PROBLEMS PRODUCED FOR INSPECTION ACTIVITIES BY EXISTENCE OF SYSTEMS NOT MEETING MINIMUM STANDARDS SET FORTH IN THE INFCIRC, AND IDENTITY OF STATES HAVING SUCH SYSTEMS.

8. SYSTEMS FOR ACCOUNTING AND CONTROL OF NUCLEAR MATERIAL AND FOR PHYSICAL PROTECTION OF NUCLEAR MATERIAL ARE COMPLEMENTARY: BOTH ARE AIMED AT UNAUTHORIZED DIVERSION. ACCEPTANCE OF THE RECOMMENDATIONS ON PHYSICAL PROTECTION HAS COME A LONG WAY SINCE THEIR ORIGINAL PUBLICATION IN 1972 IN THE SO CALLED "GRAY BOOK." MISSION RECOMMENDS WE EXPLORE POSSIBILITIES FOR ACHIEVING SIMILAR RESULTS WITH REGARD TO STANDARDIZATION

OF STATES SYSTEMS OF ACCOUNTING AND CONTROL. SUCCESS WOULD BE  
MAJOR STEP IN FACILITATING IMPLEMENTATION OF EFFECTIVE  
SAFEGUARDS AND WOULD BE VALUABLE CONTRIBUTION TO ABILITY OF  
LARGE NUMBER OF MEMBER STATES TO CONTROL AND ACCOUNT FOR  
NUCLEAR MATERIAL IN THEIR TERRITORIES.STONE  
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## Message Attributes

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